Government of
Saskatchewan

2006 - 2007
Annual Report

Saskatchewan
Highways and
Transportation

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Letters of Transmittal

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report for the Department of Highways and Transportation for the fiscal year ending March 31, 2007.

Buckley Belanger
Minister of Highways and Transportation

The Honourable Buckley Belanger
Minister of Highways and Transportation

Dear Sir:

I have the honour of submitting the Annual Report for the Department of Highways and Transportation for the fiscal year ending March 31, 2007.

John Law
Deputy Minister of Highways and Transportation

Introduction

This Annual Report documents actual results for the key actions and performance measures that were published in the 2006-07 Performance Plan released in March 2006. The 2006-07 Performance Plan is available at http://www.highways.gov.sk.ca/ pp06-pdf/ and identifies outcomes the Department is working towards to achieve its long-term strategic plan and vision of enabling transportation that supports economic and social growth in Saskatchewan. The goals and objectives articulate the long-term outcomes the Department is pursuing in support of its vision, and will take several years to realize. The performance measures are key tools to gauge progress towards achieving the objectives.

The Annual Report also reports progress made on commitments included in the provincial Budget and Performance Plan Summary for 2006-07, released in March 2006. This document is available at http://www.gov.sk.ca/finance/budget/budget06/budgetsummary.pdf.

Reporting on actual year-end financial and performance results and comparing them to the Performance Plan that was released at the start of the year, increases accountability to the public. The government's system of planning serves as the foundation for continued improvements. Since 2001, Saskatchewan Highways and Transportation has worked to improve its accountability to the public through improving its public reporting.

The Department's 2007-08 Performance Plan was released with the provincial budget on March 22, 2007, and can be found at http://www.highways.gov.sk.ca/pp07-pdf/.

Transition Year

The fiscal year 2006-07 was a transitional year for the Department of Highways and Transportation, both in how we conduct business and how we communicate transportation initiatives. On March 6, 2007, the Government of Saskatchewan launched Transportation for Economic Advantage, a new and innovative provincial transportation strategy.

It was announced that over the next ten years, the provincial government is investing $5 billion to improve transportation throughout the province. *Transportation for Economic Advantage* (TEA) represents a completely new transportation policy framework and the largest program of transportation improvements in Saskatchewan history.

The primary theme of the transportation plan is that decisions on investments will be prioritized where there is a genuine and measurable return based on economic development opportunities. That is, the government will provide higher funding levels to projects and initiatives that help meet wider provincial or national goals. In this way, investment for both capital construction and for sustainability will be targeted in a manner that provides the greatest economic and social dividends to the province.

The policy also envisions building new relationships between the Province, the private sector, municipal governments, First Nations and the federal government.

Commencing in April 2006 and throughout the months leading to the March 2007 launch, Department communications began to transition the announcements of transportation works and investments that aligned with the six policy pillars encompassed by *Transportation for Economic Advantage* (TEA). For more information on TEA, see http://www.highways.gov.sk.ca/tea/.

Who We Are

The mandate of Highways and Transportation is to optimize transportation's contribution to the economic and social development of Saskatchewan by operating, preserving, and guiding the development of the provincial transportation system and enhancing provincial transportation system assets. The new transportation plan will allow the Department to focus budget dollars to areas of optimum return for the Province while at the same time increasing funding to well-established preservation and operational practices.

Saskatchewan's road network consists of 26,072 km of highways, including: 9,249 km of asphalt concrete pavements, 4,929 km of granular pavements, 6,102 km of thin membrane surface (TMS) highways, 5,621 km of gravel highways, and 171 km of ice roads.

As of October 1, 2006, the Department had 1,476 employees stationed in 105 Saskatchewan communities. Department crews are responsible for most surface repair activities like crack filling, sealing, and patching. They provide snow and ice control, pavement marking, and gravel location services. Department crews also repair and replace signs, most small bridges and drainage structures, and operate the Saskatchewan River ferries, the Wollaston Lake barge, and the 18 northern airports.

Responsibilities for carrying out the Department's mandate are distributed among the Department's three divisions, plus Communications Branch and Human Resources Branch.

Through its Operations Division, the Department is responsible for managing the province's 26,072 km of highways, 805 bridges, 453 large culverts, 12 ferries on the Saskatchewan River system, and 18 northern airports, which contributes to safety and efficiency of the transportation system. This includes developing preservation and operating programs for these assets. All design and construction activities for contracted preservation and capital projects, operational (snow and ice control, pavement marking, signing, ferries) and maintenance programs are also managed and delivered by Operations Division.

The expertise within this division is also used in developing and maintaining operating standards, policies and procedures, as well as provision of expert engineering, leadership, innovation, training, and services on all aspects of highway and bridge design, construction and operations.

In order to ensure that traffic can move as safely and seamlessly as possible between provincial and municipal road networks, the Department works with rural municipalities by providing technical advice and guidance on bridge and roadway design and construction and performing rural municipal bridge inspections. It also administers the Municipal Heavy Haul, Traffic Counting, and Bridge programs for the Department of Government Relations.

Policy and Programs Division works with other jurisdictions, First Nations, industry stakeholders, and shippers to ensure consistency between legislative and regulatory frameworks. This encourages efficiency and effectiveness throughout the system and among the transportation modes of road, rail, air, and marine. The Department also promotes efficiency and competition among transportation modes through its trucking programs, short line advisory services and a new Capital Assistance Program for municipal airports. Provincially operated northern airports play an important role in providing access to socioeconomic development opportunities for residents of the north.

Corporate Services Division provides planning, budgeting, performance management, financial, accounting, forecasting, and business systems support, including geographical information systems (GIS), to the Department. Communications Branch is responsible for strategic communications and education and awareness programs aimed at promoting safety. Organizational development, succession planning, occupational health and safety, and other human resources services are delivered by Human Resources Branch.

The Department of Highways and Transportation (DHT) participates in transportation planning by working with stakeholders such as Area Transportation Planning Committees (ATPC) to

define system needs and strategically invest transportation resources towards garnering greater economic and social returns to communities in the province. The Department administers the Area Transportation Planning (ATP) Support Program within its regional offices. The Program is intended to provide funding for transportation studies and programs and the development of strategic plans.

The Strategic Partnership Program (SPP) facilitates partnerships that support the strategic preservation and management of low traffic volume TMS highways through cost-effective, mutually beneficial agreements with municipalities and First Nations to provide acceptable levels of service for local residents.

The Department owns, operates, and maintains its own maintenance equipment fleet. Book value of the Department's machinery and equipment is about $55.5 million and the replacement cost is approximately $158.8 million.

For more information about specific Department programs and initiatives, please visit the DHT website at www.highways.gov.sk.ca.

Stakeholders

The groups with a primary interest in working with the Department to improve transportation are:

Area Transportation Planning Committees (ATPC)

These committees provide local input on regional strategic transportation issues, and advise provincial or municipal governments on transportation issues based on social and economic goals of the area. There are 11 committees across the province, which generally include representation from rural and urban municipalities, First Nations, Regional Economic Development Authorities (REDA), Saskatchewan Urban Municipalities Association (SUMA), Saskatchewan Association of Rural Municipalities (SARM), the Department, and other major regional stakeholder groups. The Department considers them a key stakeholder and works closely with individual ATPCs on local and regional transportation issues and with the ATPC Chairpersons Committee on a variety of broader provincial transportation issues.

Saskatchewan Association of Rural Municipalities (SARM)

SARM represents the interests of rural municipal governments in Saskatchewan. The Department considers SARM a key stakeholder for transportation issues related to rural Saskatchewan. The municipalities represented by SARM are also responsible for providing road infrastructure, and the Department works closely with SARM and rural municipalities to address road transportation issues at a local and regional level and grain transportation issues at a provincial and federal level.

Saskatchewan Urban Municipalities Association (SUMA)

SUMA represents the interests of urban municipal governments in Saskatchewan. The Department considers SUMA a key stakeholder for provincial transportation issues that impact urban Saskatchewan. Urban municipalities are also responsible for providing transportation infrastructure and the Department works with SUMA and urban municipalities to address local and jurisdictional transportation issues.

First Nations

The Northern Economic Infrastructure Strategy will benefit First Nations in the northern region of Saskatchewan by providing year-round road access. In 2006, the Province piloted five projects under the new First Nations Access Roads in southern regions of Saskatchewan. Working with First Nations to build capacity in road building trades and to improve access to their communities will help fulfill Saskatchewan Highways and Transportation's mandate to promote economic and social development through the use of transportation networks.

Road Builders and Heavy Construction Association of Saskatchewan (RBHCA)

The RBHCA represents Saskatchewan's road building and heavy construction industry on a federal, provincial and municipal level. They are a key service provider because their members complete the majority of the road construction activity tendered by the Department. The Department and RBHCA work together to address issues related to industry capacity, construction standards and practices, contract delivery, construction quality, and material specifications.

Saskatchewan Aviation Council (SAC)

SAC has been improving aviation in Saskatchewan for the past two decades. Today, SAC is the province's single, most influential voice in aviation. The Department worked closely with SAC in the development of the Community Airports Program (CAP), a component of Transportation for Economic Advantage.

Consulting Engineers of Saskatchewan (CES)

CES represents the engineering consulting industry in Saskatchewan. The Department considers them a key stakeholder since their members provide more than $4.5 million in technical transportation engineering consulting services, like transportation planning, environmental assessments, road design, construction management, and testing services on an annual basis.

Saskatchewan Trucking Association (STA)

STA represents the Saskatchewan trucking industry. The Department considers them a key stakeholder since their members are key users of the provincial highway system. The Department consults the STA on provincial and inter-provincial vehicle weight and dimension regulations and other trucking policy issues.

Canadian Automobile Association (CAA)

CAA represents provincial motorists who are primary users of the provincial highway system. The Department considers them a key stakeholder because they are an organized group that represents a segment of provincial motorists.

Organizational Change

The Department did not make any organizational changes during 2006-07.

2006-07 Results at a Glance

Summary of Performance Results

In 2006-07, the Province committed $410 million to the provincial transportation highway system. Throughout the year, the Department faced challenges, such as weather, that affected contractor progress and resulted in $361.9 million invested in the transportation system. This investment allowed the Department to improve and restore 492 km of the provincial highway system and continue its focus on providing a sustainable transportation system that facilitates the safe movement of people and goods while supporting economic development and serving the social needs of the province. Highlights of the key accomplishments are summarized by strategic goal.

Over the last two years, the Department has significantly refocused its strategic direction with the development of the *Transportation for Economic Advantage* strategy, which responds to recently emerging local, national and international trends. TEA supports the Province's economic and social development goals by creating an integrated transportation network that links local economies with provincial, national, and international markets. The Department engaged in extensive stakeholder consultations while developing TEA.

Key Accomplishments

Goal 1 – A Sustainable Transportation Infrastructure

- The Department resurfaced 245 km of the paved highway network, including 170 km on the principal highway network and 75 km on the regional highway system.
- Through the federal-provincial Prairie Grain Roads Program (PGRP), the Department upgraded 38 km of TMS highway to a paved standard.
- The Department implemented a framework to expand the primary weight highway network, including the addition of 1,190 km to the existing primary weight system.

Goal 2 – Transportation as an Economic Enabler

- The Department opened 42 km of twinned highway, resulting in 73 per cent of Highway 1 east and 65 per cent of Highway 16 west twinned and opened to traffic.
- The Department invested $3.8 million under the Northern Economic Infrastructure Strategy (NEIS) on work related to the Garson Lake Road, Highway 956 as part of the link to Fort McMurray, the Wollaston Lake access road, and surfacing near Patuanak.
- To improve access to First Nations communities in southern Saskatchewan, the Department invested $1.7 million in grading and stockpiling aggregate for the Shoal Lake and Red Earth First Nations access roads.
- The Department completed 7 km of grading to twin Highway 11 from north of Warman to north of Osler.
- The Department developed a policy framework for an Urban Connector program.
- The rehabilitation of the north bound bridge at the Battlefords was completed at a cost of $2.6 million.
- The Department entered into a partnership that will see the investment of $24 million on upgrading Highway 219. In partnership with municipal and First Nations partners, this investment will enable economic development along the Highway 219 corridor.
- In 2006-07, Rail Services Branch provided assistance to nine groups interested in establishing short line railways.
- The department issued grants to four local interest groups to help pay for feasibility studies on four different branchlines within the province.

Goal 3 – Transportation Contributes to Social Development

- The Department spent $28.1 million to preserve, operate, and improve provincial highways, bridges, and airports in northern Saskatchewan.
- In the Northern Administration District (NAD), the Department completed 29 km of highway improvements.
- $5.3 million of work was delivered by northern contractors in the NAD on Department projects.
- Rail Services encouraged and assisted the seven existing short line railways in the province with the creation of a Saskatchewan Short Line Railway Association.

Goal 4 – Safe Movement of People and Goods

- The Department completed 33 safety improvement projects through the Safety Improvement Program at a cost of $826,000.
- A total of 11,862 Commercial Vehicle Safety Alliance inspections were conducted in 2006-07, exceeding the annual target by 2,362 inspections.
- Rail Services continued research and development of a low cost automated rail crossing protection system.

Summary of Financial Results

The Department began the year with an approved budget of $344.96 million. This was divided between operations appropriation (Vote 16) of $203.6 million and capital infrastructure appropriation (Vote 17) of $141.4 million. In addition, $6.6 million was carried over from 2005-06 to complete infrastructure projects in accordance with provisions within *The Appropriations Act*.

Throughout the year, for operations appropriation, the Department accessed $22.6 million in supplementary estimates funding to cover the increased costs associated with surface preservation due to wet conditions, increases in fuel costs and incremental costs associated with flooding conditions across several areas of the province. A special warrant of $4.4 million was approved to cover increased snow and ice control costs as a result of icy conditions and increased fuel costs during the winter of 2006. These additions resulted in the operations appropriation budget increasing to $230.6 million. The Department accessed $32.0 million in supplementary estimates funding to fund First Nations Access program, advancing aggregate production, public safety improvement on Highway 302, and inflationary pressures. The capital infrastructure appropriation increased to $179.96 million for a total approved budget of $410.6 million.

Total 2006-07 Department appropriation expenditures were $361.9 million, which was $48.7 million below the approved budget level. Total operations appropriation expenses were $227.8 million, which was $2.8 million below budget level as a result of not accessing $1.3 million in special warrant funding for winter maintenance and other operational program savings. Total capital infrastructure appropriation expenses were $134.0 million, which was $45.9 million below the approved budget as a result of poor weather conditions delaying contractor progress on rehabilitation projects.

Total Department operating expense was $307.3 million, which was $8.7 million below the budgeted expense of $315.96 million, including supplementary funding. Department operating expenses included operations appropriation, plus amortization of capital assets and less capital asset acquisitions such as transportation equipment. The majority of the difference can be attributed to an increase in capital asset acquisitions of $241,000 and a reduction of $5.6 million in the amount of capital asset amortization due to carryover of capital projects and change in aggregate inventory value.

The Department generated $32.2 million in revenue, which was $1.7 million above the 2006-07 budget estimates of $30.5 million.

The majority of revenue ($27.0 million) is from federal transportation programs. The increase was largely due to the sale of property, truck haul fees and refunds from previous year's expenditures.

The Department's actual FTE utilization in 2006-07 was 1,424.3, compared to the Department's budget of 1,430.1.

The year end financial statements for the Transportation Partnerships Fund are available at: http://www.highways.gov.sk.ca/tpf06-pdf/.

Progress on Multi Year Commitments

Over the last several years, the Province has made several commitments to transportation. The following commitments provide the financial framework and help focus the Department's strategic direction.

- Invest $2.5 billion on highways and transportation over 10 years. [Spring 1997]
  - At the end of the 2006-07 fiscal year, the tenth year of this commitment, the Province will have invested $2.81 billion or $313.9 million more than the $2.5 billion investment target.

- Twinning National Highways:
  - Highway 1 west was completed in 2003 – one year ahead of the Province's accelerated schedule and five years ahead of the original schedule.
  - Highway 1 east is planned to be twinned in 2007 – five years ahead of the original schedule.
  - Highway 16 between North Battleford and Lloydminster is planned to be twinned in 2007 – three years ahead of the original schedule.

- Invest $1.2 billion over four years to continue the Department's highway program. [Fall 2003]
  - By the end of the 2006-07 fiscal year, the Province and the federal government will have invested in excess of $1.0 billion towards this initiative. The Province is on track to meet this commitment for 2007-08.

- Invest $65.5 million over five years in Roads to Prosperity – Saskatchewan's Northern Economic Infrastructure Strategy (NEIS). [Fall 2005]
  - At the end of 2006-07 fiscal year, the Province will have invested $3.8 million towards this initiative to create a primary northern road network that improves transportation between the northern communities, as well as improve connections to the broader provincial highway network.
  - The Department has hired a project coordinator headquartered in La Ronge to implement capacity building strategy and work with northern community interest groups.
  - Work performed under the NEIS is incremental to the $31.4 million the Department invested in the Northern Administrative District (NAD), for a total investment in the NAD of over $35 million.

2006-07 Performance Results

The following section provides detailed information on the progress made towards meeting the Department's long-term goals and objectives.

The accountability framework, through key actions, performance measures and regular reporting allows the Department to focus on making key recommendations and decisions that set a clear direction for the future of the provincial transportation system. Annual performance results are used to assess overall progress towards goals and objectives each year and to inform or adjust future plans and actions. Regular reporting allows the Department to consistently examine its performance against planned accomplishments and determine the impacts on program delivery. This in turn allows the Department to make necessary changes to resource allocations in order to mitigate risk factors directly and indirectly within its control.

Each year, the Department faces several major risks beyond its control that affect the amount and type of work that is done in a given year. In 2006-07, inflation had a major impact on construction and maintenance related costs, with increases of over 55 per cent from 2004 realized in some areas. This reduced the Department's purchasing power and had a negative effect on the amount of work that could be completed.

Weather is another risk that influences departmental activities and expenditures. In 2006-07, many areas in the province experienced flooding and water and ice damage related to spring melt and run-off. In several locations highways were washed out, bridges were damaged, and property was damaged, which significantly increased costs for the Department. Furthermore, wet weather hampered construction in flood-affected areas. Winter conditions also influence the department's ability to meet its budget estimate. There is a high degree of variability from year to year due to the unpredictable nature of snow and ice events. In 2006-07, ice and heavy snow in the winter increased winter maintenance costs.

The Department monitored expenditures related to flood damage in the spring, delivery of major rehabilitation and enhancement projects (i.e., twinning and rural highway upgrades) during the summer and snow and ice control events during the winter on a monthly basis. The information was used in conjunction with project cost estimate updates to determine the amount of flexibility within the budget to manage inflation. Resources were reallocated where possible and additional funding was requested to address unexpected weather events. Decisions were made in the context of meeting publicly announced commitments and published planned accomplishments.

The Department utilizes a fixed strategic planning and reporting process that provides better awareness of the impacts decisions have on reaching performance targets and delivering on key actions. In 2006-07, the Department implemented a risk management framework to systematically address risks that could have an impact on its ability to achieve its goals and objectives.

The key actions and measures originally presented in our 2006-07 Performance Plan are listed below, followed by a report on actual progress information for each. Actual results information is included for all key actions as well as for all commitments related to Saskatchewan Highways and Transportation in the government-wide *2006-07 Performance Plan Summary*.

More information about the Department's performance measures is included in the 2006-07 plan, which is available at: http://www.highways.gov.sk.ca/pp06-pdf/.

Goal 1 – A Sustainable Transportation Infrastructure

Objective 1 – Preserved principal highway network to meet the future economic needs of the province

Recognition that Saskatchewan's economy and landscape are changing is fundamental to a sustainable transportation infrastructure. Increasing north-south trade, developing trade corridors, a diversifying economy, and increasing truck haul are affecting the way the principal highway system is being used now and how it will

be used into the future. Ensuring the Department can adequately preserve and improve the principal highway network to handle anticipated traffic levels will allow the provincial transportation system to meet future economic needs.

The Department is making progress towards this objective. Over the last four years, 819 km of the principal highway system have been resurfaced.

Key Results

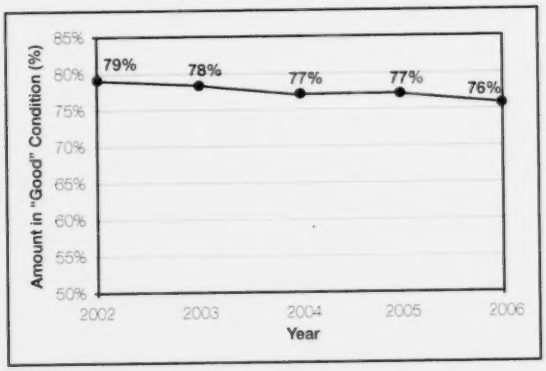
- Resurface 189 km on the principal highway network. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - Completed 170 km of resurfacing on the principal system at a cost of $20.7 million.
  - The planned amount of resurfacing was not completed largely due to the deferral of projects to 2007.

- Replace or repair six bridges or drainage structures on the principal highway network. [2006-07 planned result]
  - Replaced two bridges on the principal system.
  - Major rehabilitation on three bridges on the principal system was completed. Minor repairs were completed on 23 bridges on the principal system.
  - Construction problems delayed the completion of one planned project.

- Inspect and rate 54 major bridges and 60 minor bridges on the principal highway network. [2006-07 planned result]
  - Inspected 54 major bridges and 60 minor bridges on the principal highway system.

Measurement Results

Per cent of the principal highway network in "good" condition



Data Source: Department of Highways and Transportation Asset Management System and Highway Inventory System

In 2006-07, 76 per cent of the principal highway network was assessed to be in "good" condition, which was a one per cent decrease from the previous year.

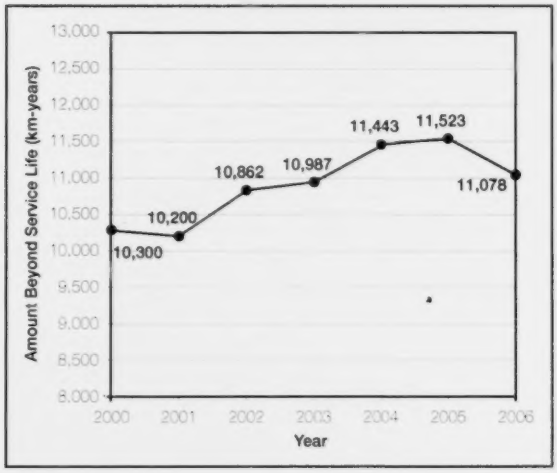
This measure provides an indication of how the Department is managing the principal highway network by measuring surface conditions, which provide a surrogate measure of how the road user perceives highway conditions.

The Department uses a combined measurement of the road's rutting and ride to determine if a pavement is in "good" condition. To measure ride quality, a device is used that generates a measurement of smoothness based on an international standard called the International Roughness Index (IRI). Another device that continually measures rut depth is used to evaluate rutting. The measurements are analyzed using the processes defined in the Department's Asset Management System. A road must have good comfortable ride with minimal ponded water in the wheel paths to be classified as "good."

Starting in 2007-08, this measure will be replaced with a measure that indicates the Department's ability to manage the National Highway system under the International Gateways and Corridors pillar of the *Transportation for Economic Advantage* strategy.

Factors like contractor progress, fluctuating input costs, and the length of the construction season are outside of the Department's control, but influence the results of this measure.

Amount of principal pavements beyond their service life



Data Source: Department of Highways and Transportation Asset Management System and Highway Inventory System

This measure provides an overall picture of the extent to which the useful life expectancy is being exceeded on the principal system.

In 2006-07, there were 11,078 km-years of principal pavements beyond their service life, a decrease of 445 km-yr compared to the previous year.

Funding for pavement preservation has increased over the last few years to achieve this objective. However, inflationary pressures such as increased costs of asphalt, fuel, labour, and equipment, and the depletion of good gravel deposits, have decreased the Department's purchasing power, and reduced the amount of preservation activity that can be completed in a given year. The trend toward increased truck traffic, while necessary to support a growing, export-based economy, accelerates the consumption of infrastructure assets, and makes it more difficult to improve paved highway conditions.

Service life is based on the original engineering standards of a pavement and a regular maintenance program. The decision to resurface a highway is driven by surface condition, not pavement age. Prudent infrastructure management means there will always be some pavements beyond their service life if material characteristics, environmental conditions and traffic patterns allow a pavement to perform better than expected.

Decreasing the amount of principal pavements beyond their service life demonstrates progress in reducing the risk of pavement failure on the principal highway system resulting in greater system efficiencies, increased public safety and enhanced contribution by the transportation network towards social and economic development opportunities for the province.

The length of each road segment that is beyond its service life is measured in kilometres and then multiplied by the number of years that it is beyond its service life, to provide a measurement in kilometre years.

Preventative maintenance and timely rehabilitation are the two critical aspects in the effective life cycle management of a paved highway system. Pavements are designed to last for 15 years before significant rehabilitation is required, but effective preventative maintenance can extend pavement service life to 20 or 25 years. Effective pavement life cycle management strives to rehabilitate pavements once every 20 to 25 years. However, pavements are subject to highly variable environmental conditions and changing traffic patterns. It is common for some pavements with relatively little truck traffic to last longer than 25 years and other pavements with significant truck traffic to last less than 25 years. The extent and severity of surface distresses like rutting, roughness and surface failures, not pavement age, dictate the timing of major pavement rehabilitation. An old pavement that is relatively smooth with little rutting and few surface failures would not be rehabilitated ahead of a newer pavement that has deep rutting, is very rough and has a large number of surface failures.

Objective 2 – Aligned regional transportation network to meet Saskatchewan's future needs

The regional transportation network provides local access and collects traffic for the principal network. Changing traffic patterns caused by trends such as rural depopulation, matured grain collection system, branch line abandonment, increased activity in the oil and gas sectors, and increased truck haul are affecting the way the regional transportation system is being used today and will be used in the future.

To be sustainable in the long-term, the regional network needs to be realigned to reflect a balance with market drivers, road standards in the network, maintaining the roads in good condition, and available funding levels.

The Department has made progress toward achieving this objective. Over the last five years nearly 1000 km of thin membrane surface (TMS) highways have been converted to a paved standard, and the Department has developed a long term plan to increase the amount of highways available at primary weights through the Rural Economic Corridors pillar of TEA.

Key Results

- Resurface 96 km on the regional highway network. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - Completed 75 km of resurfacing on the regional system at a cost of $14.7 million.
  - The planned amount of resurfacing was not completed due to late project starts and slower than planned contractor progress.

- Through the federal/provincial Prairie Grain Roads Program (PGRP) contract for the grading of 14 km and upgrading of 47 km of TMS highways to a paved standard at a cost of $11.3 million. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - $1.0 million was spent in 2006-07 to complete 14 km of grading. 38 km of TMS was upgraded to a paved standard at a cost of $9.06 million.
  - The planned amount of surfacing was not completed due to delays caused by wet spring conditions. Inflation was the main contributor to increased costs.

- Deliver commitments on construction partnership initiatives to improve 7.5 km of TMS highways. [2006-07 planned result]
  - Completed 7.5 km of improvements at a total cost of $1.6 million.

- Replace or repair 12 bridges or drainage structures on the regional highway network. [2006-07 planned result]
  - Replaced 9 bridges on the regional system, completed major repairs to two bridges and minor repairs to 40 bridges on the regional system.
  - Construction problems delayed the completion of one planned project.

- Inspect and rate 30 major bridges and 260 minor bridges on the regional highway system. [2006-07 planned result]
  - Inspected 30 major bridges and 230 minor bridges on the regional highway system.
  - Weather and high water prevented 30 inspections – 20 in the south and 10 in the north.

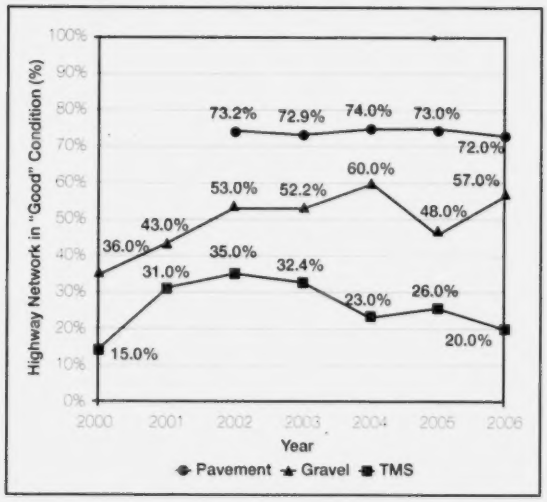
- Install ferry towers at St. Laurent and Lancer and complete the structural design for the ferry tower at the Cecil ferry crossing. [2006-07 planned result]
  - Completed installation of ferry towers at St. Laurent and Lancer.
  - Towers at Cecil have been deferred to 2008-09 due to revised program priorities.

- Continue implementation of the Department's partnership agreement with Pavement Scientific International (PSI) to reconstruct 40 km of TMS highways using "Made in Saskatchewan" road strengthening technology. [2006-07 planned result]
  - 5 km of TMS highways were reconstructed in partnership with PSI.

- Implement a framework for expansion of the primary weight network.
  [2006-07 planned result]
  - The primary weight expansion program is part of the Rural Economic Corridor pillar in the Department's TEA strategy. The framework has been developed and a Weight Advisory Committee (WAC) has been established to guide the primary weight network expansion.

Measurement Results

Per cent of regional highway network in "good" condition by surface type: Pavement, Thin Membrane Surface (TMS) and Gravel



Data Source: Department of Highways and Transportation Asset Management System and Highway Inventory System.

This measure was designed to show progress towards the desired result of sustaining or improving the surface condition of the regional highway network under changing environmental, traffic and funding patterns. It also assists the Department in monitoring the effectiveness of the Department's Asset Management System and pavement preservation practices in maintaining road surface conditions.

Beginning in 2007-08, this measure will be replaced with a measure that indicates the Department's ability to manage its Rural Economic Corridors.

Pavements

In 2006-07, 72 per cent of regional pavements were assessed to be in "good" condition.

For a detailed description of how data is collected for this measure, see the explanation under the measure on the measure of per cent of principal highway network in good condition.

Pavement preservation funding has increased over the last few years to sustain the regional paved highway network, which has been a key element of the Department's strategic plan. However, inflationary pressures such as increased costs of asphalt, fuel, labour, and equipment, and the depletion of good gravel deposits, have decreased the Department's purchasing power, and reduced the amount of preservation activity that can be completed in a given year. The trend toward increased truck traffic, while necessary to support a growing, export-based economy, accelerates the consumption of infrastructure assets, and makes it more difficult to improve paved highway conditions. The Department developed the *Transportation for Economic Advantage* strategy to mitigate these factors.

In the future, this measure will be replaced with a measure that indicates condition on the Rural Economic Corridors pillar of TEA.

In 2006-07, Department crews worked more than 107,990 hours to seal 4,232,840 m^2 of regional pavements and repair failures to more than 900,050 m^2 of regional pavements.

TMS

To determine if a TMS is in "good" condition, the Department uses a measure of the road's ride. To measure ride quality, a device is used that generates a measurement of smoothness based on an international standard called the International Roughness Index (IRI). Data is collected during the summer or fall of each year.

In 2006-07, 20 per cent of the TMS highways on the regional system were in "good" condition. The main contributing factor to the six per cent decrease from the previous year was the wet

conditions experienced in many parts of the province in the spring of 2006. TMS highways are very susceptible to environmental conditions and changing traffic patterns and the results can vary from year to year.

Between April 3, 2006 and May 23, 2006, Department crews, sprayed 880,000 litres of asphalt, placed 6,000 tonnes of cold mix and completed 1,100,000 m^2 of seal coat patching to repair spring TMS road damage. There has been a reduction of 295 km in the TMS network from 2005-06. When a TMS highway is rebuilt, it is taken out of the TMS system and added to the granular or gravel highway inventory. Inflationary pressures related to increasing costs of asphalt, fuel, labour, and equipment decreases the Department's purchasing power and reduces the amount of TMS surface preservation that can be completed in a given year.

Gravel

To determine if a gravel road is in "good" condition the Department uses its Asset Management System condition ratings for stability (strength of road bed) and protruding rock (amount of large rocks protruding from the roadbed). In order to be a "good" gravel road it must have a "good" rating in both of these field measurements. The road users would drive on a hard gravel road surface with few rocks protruding from the roadbed.

In 2006-07, 57 per cent of the gravel highways on the regional system were in "good" condition, a nine per cent increase from the previous year. Gravel highways are very susceptible to environmental conditions and changing traffic patterns resulting in variations from year to year. Inflationary pressures related to increasing costs of fuel, labour, and equipment decrease the Department's purchasing power and reduce the amount of gravel surface preservation that can be completed in a given year.

Objective 3 – Reduced damage on the highway system caused by overweight vehicles

The combination of a maturing/consolidating grain collection system, rail line abandonment, changing international trade flow patterns, national and regional initiatives, urbanization, and local economic opportunities arising from industries including: oil and gas, value-added agriculture, manufacturing, mining, and tourism, increase truck volumes on Saskatchewan roads.

The trend towards more cost-effective truck configurations leads to larger vehicle dimensions and increased truck weights. While this increases transportation efficiency, it also accelerates road damage.

Changes in Saskatchewan's commercial trucking profile have long-term implications for the principal highway system. These major routes are designed to accommodate significant volumes of heavily loaded trucks. However, they are deteriorating due to the increased tonnage now being hauled. On the regional highway network, increased truck traffic has had a significant effect; many regional roads are TMS construction and were not designed to accommodate high volumes of heavily loaded trucks.

Decreasing the number of overweight vehicles will reduce road damage and help the Department sustain the road network. One of the primary strategies for reducing the number of overweight vehicles is to increase compliance with provincial vehicle weight and dimension regulations through enhanced weight enforcement activities.

The Department has made progress towards meeting this objective. In addition to on-road enforcement and operation of existing weigh scale facilities, Transport Compliance continued to introduce new programs to reduce road damage including joint weight monitoring agreements with industry and the use of new technology to better target enforcement activities.

Key Results

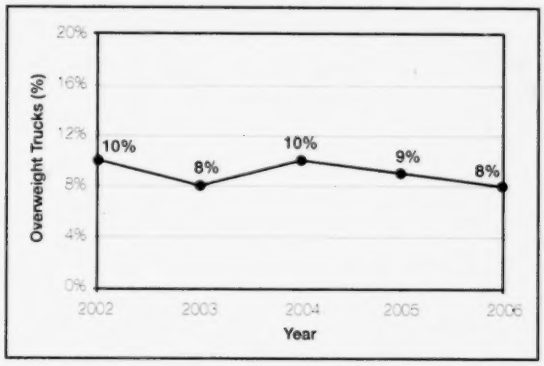
- Through a partnership with International Road Dynamics, Alberta Infrastructure and Transportation and Transport Canada implement and pilot the remote operation of weigh scales to increase the monitoring of commercial vehicle operations. [2006-07 planned result]
  - Entered into agreement with Transport Canada, Alberta Infrastructure and Transportation, and International Road Dynamics to pilot the remote operation of weigh scales.
  - The construction of the remote weigh scales was completed and testing has begun.

- Use on-road performance including data from emerging Remote Vehicle Weigh Stations (RVWS) technology to target carrier audits for weight violations. [2006-07 planned result]
  - This is the first full year the program has been in place. The Department has built a process in which data is collected, analyzed and investigation files are created and assigned to investigators. This program is proving to be a very useful tool to conduct targeted enforcement.
  - Collected Remote Vehicle Inspection Station data over the first three quarters of 2006-07. In the last quarter of 2006-07, nine investigation files were assigned to investigators to follow-up on weight compliance issues.

- Seek partnerships with Alberta for joint operation activities and weight inspection facilities. [2006-07 planned result]
  - Conducted joint blitzes with Alberta at Vermillion on October 17 and 18, 2006, and invited Alberta to participate in Roadcheck at the Lloydminster Scale on June 6, 2006.
  - Signed a joint funding agreement with Alberta to build a Remote Control Weigh Scale at Macklin, SK and are currently developing a joint operations policy.

Measurement Results

Per cent of overweight trucks on the highway system



Data Source: Department of Highways and Transportation - Transport Compliance Branch

Truck traffic continues to increase on the highway system. A certain percentage of these trucks will be overweight and cause more damage to the highway system. This performance measure allows the Department to monitor the effectiveness of its policies and enforcement actions in reducing the number of overweight vehicles.

A random sampling process has been developed to monitor the per cent of overweight vehicles. The performance measure is calculated by dividing the number of overweight vehicles identified at random inspections by the number of total vehicles inspected during the same random inspections. While this does not provide a statistically valid representation for the entire province, it will allow progress to be monitored in a cost effective manner.

In 2006-07, eight per cent of the trucks on the provincial highway system were overweight. This result is considered to be not significantly different from the previous year. Of the 1,716 vehicles that were weighed between June 1, 2006 and September 14, 2006, 136 were overweight. Variances of one or two per cent in any given year are still indications of a strong enforcement presence. As more data is gathered, the trend line will provide an indication of whether changes are part of a long-term trend or caused by inherent variability in the random sampling process.

The Department has a high level of influence over this performance measure. It can increase its weight compliance activities by increasing transport compliance resources, combined with shipper liability legislation. An increased weight compliance presence on the provincial highway system should decrease the amount of overweight vehicles because there is a higher chance overweight carriers will be caught. Transport Compliance Branch continues to develop strategies that, over the long term, will decrease the non-compliance rate. Strategies include a balance between weight, dimension, safety, registration, licensing, enforcement, and education efforts.

Objective 4 – Increased funding from additional sources

To achieve long-term sustainability, additional funding is required to close the shortfall between transportation system needs and available resources. Saskatchewan recognizes the importance of a National Highway System that provides for efficient inter-provincial and international movement of commodities and supports Canada's economic growth, social development, and national unity.

While road transportation is a provincial responsibility, the Province feels that the federal government has an obligation to participate in the costs of preserving and upgrading the National Highway System. Additional funding from the federal government and industry partners will help achieve long-term transportation system sustainability.

The Department has made significant progress at meeting this objective. Since 2000, four transportation infrastructure agreements have been negotiated with the federal government resulting in a $161.0 million federal investment on the provincial highway system between 2001-02 and 2007-08. The Transportation Partnership Program has been used to generate revenue for transportation infrastructure improvements and the Department has managed its administrative costs to maximize "on road" investment.

Key Results

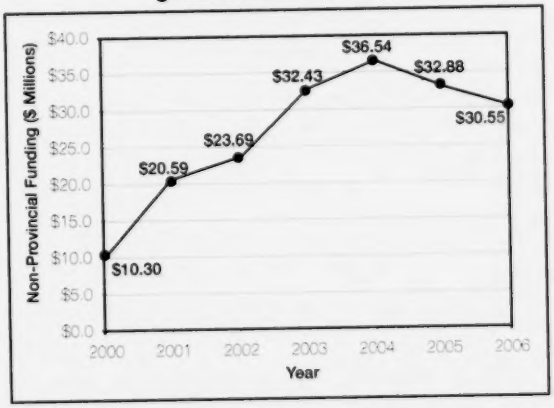
- Promote the Transportation Partnership Program with those companies that would substantially benefit from participation in the program. [2006-07 planned result]
  - Generated in excess of $2.5 million dollars in incremental revenue for highway improvement projects.

- Continue cost sharing with the federal government on the Prairie Grain Roads Program (PGRP), Canada Strategic Infrastructure Fund (CSIF), and Border Infrastructure Fund (BIF) to upgrade rural highways, accelerate twinning on Highways 1 and 16, and provide secure flow of goods and people with the U.S. [2006-07 planned result]
  - Actual revenue for 2006-07 was: PGRP $5.64 million; CSIF $20.98 million; and BIF $0.03 million, for a total of $26.65 million.

- Invest $3.0 million in highway and safety improvements through funds deposited into the Transportation Partnerships Fund (TPF). [2006-07 planned result]
  - $1.97 million in highway and safety improvements were made through funds deposited in the TPF.
  - Variance is attributed to project delays.

Measurement Results

Additional funding from non-provincial government sources



Data Source: Department of Highways and Transportation – Corporate Support Branch

The amount of funding obtained from non-provincial sources is an indictor of the Department's success in pursuing additional funding for transportation infrastructure investment from industry partnerships, the Transportation Partnerships Fund, and the federal government.

In 2006-07, $30.55 million of transportation infrastructure investment was obtained from sources other than the provincial government. This was $2.33 million less than the funding obtained in 2005-06. Revenues were affected by poor weather conditions and contractor capacity constraints, which resulted in less construction completed than had been anticipated.

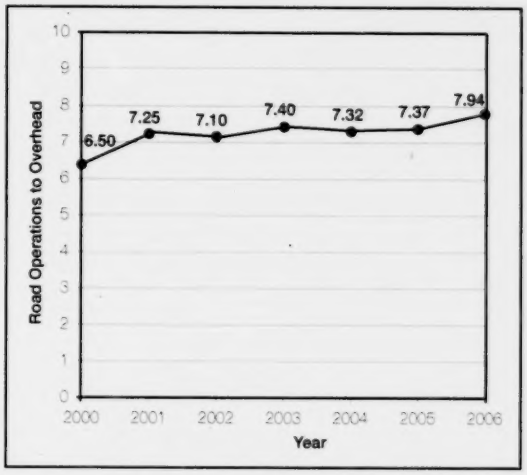
In spite of the decrease in 2006-07, revenues were still well above 2001 levels. This was a result of the federal-provincial agreement to accelerate twinning on Highway 1 and 16, which generated additional federal transportation investment from the Strategic Highway Infrastructure Program and the Canada Strategic Infrastructure Fund. Additional federal revenue was provided through the Border Infrastructure Fund, and National Safety Code programs, as well as through industry partnership agreements and the Transportation Partnerships Fund.

The funding from federal cost shared programs, with the exception of the Border Infrastructure Fund, will expire in 2007-08.

The Department can influence the level of non-provincial funding by actively pursuing federal infrastructure funding partnerships as well as developing and managing initiatives like the Transportation Partnerships Fund.

This measure has been phased out of the 2007-08 Performance Plan.

Ratio of road operations to overhead



Data Source: Department of Highways and Transportation Corporate Support Branch – Year End Expenditures

This performance measure is an indicator of the Department's success at creating and maintaining internal administrative efficiencies. Better internal efficiency ensures that the highest possible percentage of funding, including any increased funding from additional sources, goes directly to operation, preservation and construction of the transportation system.

In 2006-07, the ratio of road operations to overhead was 7.94:1, an increase over 2005-06. This change is considered to be insignificant from the previous year's result. The Department has influence over this performance measure because it is responsible for managing its administration costs relative to the entire budget. The ratio will remain at similar levels in future years as the majority of any increases in the Department's budget are allotted to preservation and capital programs to meet the changing demands for improvements to transportation infrastructure.

This measure has been phased out of the 2007-08 Performance Plan.

Objective 5 – Effective environmental stewardship

The transportation system must be sustainable from an environmental perspective. Changes that may affect Saskatchewan's ecosystems are being overseen with complete and careful consideration given to the results of those changes. There is a need to develop a consistent systematic approach to meet our commitments to the environment, recognizing both Department business processes and the complex interactions between the environment and the numerous actions undertaken for transportation planning, highway design, construction, operations, and maintenance.

The Department made progress on this objective through actions such as implementing a Road Salt Management Plan and complying with federal and provincial environmental legislation.

Key Results

- Design, construct, and operate in compliance with all provincial/federal environmental regulations. [2006-07 planned result]
  - The Department was proactive in assessing potential environmental risks and developing mitigation plans in advance of construction.
- Preserve biodiversity by maintaining and seeding native vegetation where appropriate and by mitigating impacts on sensitive species. [2006-07 planned result]
  - Commissioned the Native Plant Society to create a seeding manual specifically for local conditions in Saskatchewan.
- Manage road salt usage by implementing the provisions of the Department's Road Salt Management Plan. [2006-07 planned result]
  - The Department implemented the provisions of the Road Salt Management Plan. All operational staff were trained in the principles of effective salt management.
- Participate on and support the initiatives of the provincial Environmental Stewardship Planning Committee. [2006-07 planned result]
  - Implemented test sections for salvage and replacement of topsoil, which will enhance the growth of roadside grasses, reduce noxious weeds, and reduce erosion.

Goal 2 – Transportation as an Economic Enabler

Objective 1 – Reduced cost of moving goods and people by road, rail, and air

Effective transportation systems provide competitive transportation options for Saskatchewan producers and shippers and provide adequate mobility for travellers. Providing an efficient transportation system will contribute to reducing the costs of moving goods and people.

The Department continues to make progress on this objective by increasing the amount of highways available at primary weights, which is directly related to the TEA pillar of Rural Economic Corridors that link regional economies and contribute to Saskatchewan's economic growth.

Key Results

- Provide advice and development positions that represent Saskatchewan transportation interests at federal/provincial transportation forums and inter-departmental committees. [2006-07 planned result]
  - Provided support to Saskatchewan Northern Affairs on northern transportation issues for the Northern Development Ministers Forum. Discussed funding for the NEIS with the federal government. Participated in a number of committees and task force groups under the council of Deputy Ministers of Transportation and Highway Safety, such as the Aviation Standing Committee, National Highway System, Short Line Railway and Container Task Force.
  - Working through the Tri-National Border Working Group, provided reports to federal, state and provincial governments.
  - Participated in discussions and provided support to the federal-provincial Policy and Planning Support Committee to the Council of Deputy Ministers Responsible for Transportation and Highway Safety, Western Transportation Minister's Council, and

WESTAC to ensure co-ordination/ harmonization of responses and a common understanding/system description across Canada. Monitored trends in operational performances to keep information current and acceptable across Canada and the U.S.
  - Presented information that is representative of a uniformity/commonality of system description/response across Canada and the U.S. through constant monitoring of the political and economic environment driving regulatory change. Researched and validated information on level of service and price levels in a given geopolitical environment.
  - Built policies that recommended the best expenditure of scarce resources through knowledge of social and economic climate.

- Investigate the capacity of short lines to accommodate and sustain heavier rail cars. [2006-07 planned result]
  - Previous calculations on the theoretical impacts of heavier rail cars on typical branchlines were supported by work and recommendations done by UMA.
  - Provincial track safety standards were revised to provide railways with guidelines on ensuring track will remain capable of handling heavier cars.

- Participate with other stakeholders to develop a strategy to respond to the road safety engineering component of Transport Canada's Road Safety Vision 2010. [2006-07 planned result]
  - The Department met with SGI and beginning in 2007-08, have agreed to partner on safety improvement projects that support the Road Safety Vision.

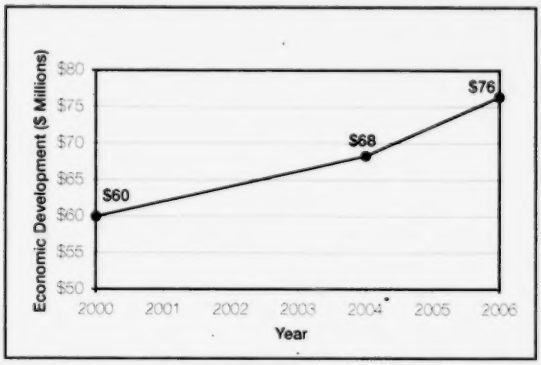
- Work with the trucking industry to increase efficiency and safety while effectively utilizing provincial infrastructure through the Transportation Partnership Program (TPP). [2006-07 planned result]
  - Entered into 88 new agreements resulting in over $3.0 million of trucking efficiencies.

In addition to progress made on planned actions, the other key results for the Department include:

- Rail Services Branch provided assistance to nine groups interested in establishing short line railways.
- The Department issued grants to four local interest groups to help pay for feasibility studies on four different branchlines within the province.

Measurement Results

Value of economic development generated by the Department's trucking programs



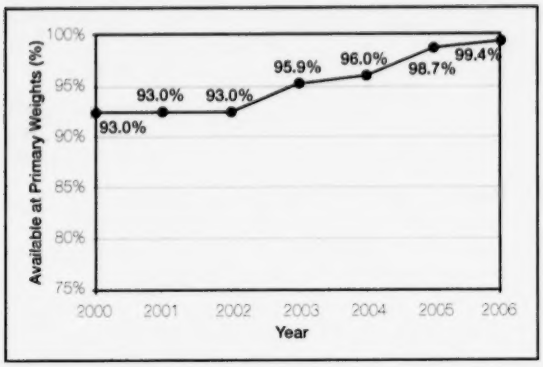
Source: Department of Highways and Transportation – Trucking Programs

This measure gauges the benefit to the provincial economy of trucking partnership agreements, which increased transportation efficiency for carriers and shippers participating in the TPP. Increased efficiency reduces trucking costs and makes Saskatchewan companies more competitive in the global marketplace.

The measure quantifies the savings in freight cost for partners in the trucking programs, which reduces their input costs and allows them to be more competitive. The baseline, which is $60.0 million, and methodology for this measure were documented in a July 2000 study of the TPP. In 2006-07, the benefits of the program were found to be $76.0 million annually.

The Department influences this performance measure because it develops the weight regime and policy framework for the TPP and markets the TPP to potential participants. If the policy framework is compatible with the needs of Saskatchewan shippers and carriers, more trucking partnerships can be developed increasing the amount of savings for our partners.

Per cent of the principal highway network available at primary weights on an annual basis



Data Source: Department of Highways and Transportation

Primary weights are the maximum vehicle weights allowed on principal highways without a permit. The allowable vehicle weight is based on the structural capacity of the highway. Increasing the length and time that the principal highway network is available at primary weights increases the efficiency and productivity of all freight moved on the principal system. This performance measure is calculated as follows:

$$\text{Length Available (\%)} = \frac{\sum \text{Length of Principal Highway Segment} \times \text{Days Available at Primary Weights}}{\text{Length of Principal Highway Network} \times 365} \times 100$$

The principal system was available 99.4 per cent of the time in 2006-07. This result is based on the re-defined 5,000 km system, but results for past years are based on the 7,000 km system. When the principal system was re-defined in 2004-05, 2,000 km of lower volume roads were transferred to the regional system. The increase in 2003 was due to a departmental policy change that eliminated a 10-month primary weight restriction. These highways are now available at primary weights all year round, increasing transportation efficiency for Saskatchewan carriers and shippers. Part of the increase in 2006-07 can also be attributed to new sections of twinned highway being opened to traffic.

In July 2006, the Department expanded the primary weight system by 1,190 km. Carriers will now be able to haul primary weights on these highways for nine months of the year, adding to the nearly 8,400 km of regulated primary weight highways in the province. The Department has future plans of expanding the primary weight system under the Rural Economic Corridors pillar of the *Transportation for Economic Advantage* strategy.

In 2007-08, this measure will be replaced with a measure to gauge progress on primary weight expansion.

Objective 2 – Targeted infrastructure investment for economic growth

Transportation infrastructure investment needs to be strategically targeted to ensure it makes a maximum contribution to the Province's overall economic and social well-being. Several significant policy initiatives related to this objective were approved in 2006-07. *Transportation for Economic Advantage*, which provides the overarching guiding framework for the Department, was approved in September 2006 and announced by the Premier on March 6, 2007. One of the key areas of investment under TEA is the Northern Economic Infrastructure Strategy that was announced in November 2005, and implemented in 2006. Through the NEIS, the Department will improve access to economic development opportunities for northern and Aboriginal communities.

The announcement of the 1,190 km, Phase 1 expansion of the primary weight highway system in July 2006, forms an important component of the Rural Economic Corridors pillar of TEA. With a benefit-cost ratio of 9:1, the Department estimates that the expansion will result in additional truck haul cost savings to shippers of approximately $18 million per year, with an incremental cost of $2 million to the Department.

Additionally, many of the Department's 2006-07 planned activities directly contribute to TEA and will enhance the Department's ability to meet this objective in the future, such as continuation of twinning on Highways 1, 16 and 11, and development of an urban connector policy framework.

Key Results

- Invest $8.55 million as part of the Northern Economic Infrastructure Strategy (NEIS), including work to rebuild the Garson Lake Road, Highway 956 as part of the link to Fort McMurray, Alberta. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - Completed 4 km of surfacing from Patuanak south at a cost of $0.5 million. Additional expenditures of $1.5 million were made on work related to the Garson Lake Road and the Wollaston Lake access road, including design, environmental assessments, engineering, clearing, stockpiling, and grading.
  - $4.1 million in carryover to 2007 is attributed to pending federal environmental approvals, northern capacity building partnerships, and wet weather.
  - $2.18 million of work was advanced in 2005-06, of which $1.87 million was expended and $0.3 million was carried over to 2006-07. Work included crushing and stockpiling in the vicinity of Beauval on Highway 155 and two clearing projects and design work on the Garson Lake Road.

- Invest $6.0 million to improve economic and community connections including access roads to the Shoal Lake and Red Earth First Nations. [2006-07 planned result]
  - Invested $1.7 million in grading and stockpiling aggregate on these First Nations access roads.
  - Progress was delayed by above normal wet conditions and spring flooding in the north eastern part of the province.

- Complete road improvements in Greenwater Provincial Park. [2006-07 planned result]
  - Completed in 2006 at a cost of $250,000.

- Through CSIF cost share programs, invest $49.4 million to twin Highway 1 east and Highway 16 west by opening 63 km of twinned highway. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - Through the CSIF program, the Province invested $50.4 million in twinning Highways 1 and 16. 42 km of twinned highway were opened, including 19 km on Highway 1 east and 23 km on Highway 16 west.
  - Progress was affected by carryover from 2005-06 and slower than anticipated contractor progress. 21 km of paving on Highway 1 east are being carried over to 2007.
  - Inflation was the main driver of greater than planned expenditures.

- Invest $7.5 million in rural corridors including strategic economic development routes by completing grading of the 9 km section of Highway 11 north of Warman to north of Osler, begin grading the next 9 km section from Rheinland towards Hague, and begin preliminary work for twinning, south of Prince Albert. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - Grading of 7 km of twinning from north of Warman to north of Osler was completed in 2006-07, with 2 km completed in 2005-06, for a total length of 9 km. Functional work was completed south of Prince Albert. Total expenditures in 2006-07 were $4.2 million.
  - The variance from the planned estimate was largely due to carryover to 2007, which was a result of changes in project scope that will capture efficiencies.

- Deliver 58 km of road improvements under Road Transportation Agreements. [2006-07 planned result]
  - Completed 29 km of road improvements, including 21 km on Highway 917 and 8 km on Highway 924.
  - 29 km of grading on Highway 924 was carried over to 2007 due to wet conditions. This project also moved under Northern Community Access Roads.

- Invest in urban economic connectors by developing and implementing an Urban Economic Connector Policy to address urban concerns of safety, economic development, corridor continuity and traffic congestion. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]

- The urban connector program is included in the Department's *Transportation for Economic Advantage* strategy. The urban connector policy framework has been developed and the draft policy paper is being reviewed.
- The capital component of the policy has been implemented; other elements will be implemented on April 1, 2008.

- Position Saskatchewan as a key player in the export based economy through effective transportation focusing on the strategic importance of trade corridors. [2006-07 planned result]
  - Participated in trade corridor inter-jurisdictional planning and development of standard that included collection of best practices and establishments of standards in security, weights and dimensions, rule making agreements treaties and data sharing. The public benefits by reduced transaction costs, increased trade between regions, and a transparent base for agreements. As a result, compliance and enforcement costs decrease, lowering taxpayers' costs.

- Complete the rehabilitation of the north bound bridge at the Battlefords at a cost of $2.9 million. [2006-07 planned result]
  - Phase 3 of the project was delivered in 2006 at a cost of $2.6 million.
  - Phases 1 and 2 were previously delivered at a cost of $2.5 million. Phase 4 of the project to be delivered in 2007 at an estimated cost of $1.5 million.

- In partnership with the federal government through the Border Infrastructure Fund and the City of Estevan, provide provincial funding to begin improvements to 4th Avenue through Estevan. [2006-07 planned result]
  - The City of Estevan awarded the contract for the rehabilitation of Highway 39 through the City of Estevan (4th Avenue). The City has begun upgrades to the infrastructure beneath 4th Avenue.
  - Lack of bidders on the project resulted in schedule changes to this project.

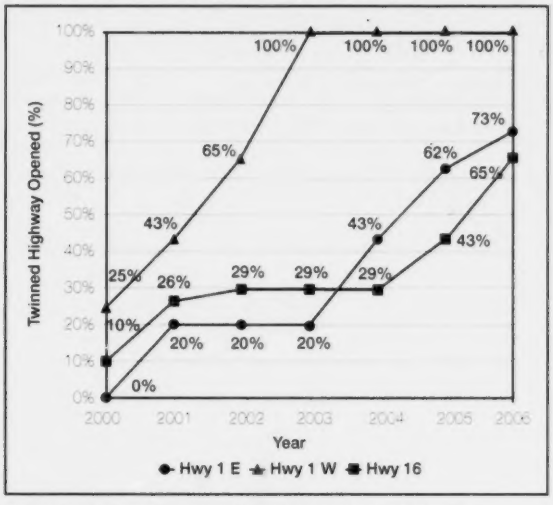
The Department also produced the following key results, which are in addition to the planned results:

- The Department initiated action on improving surfaced access to First Nations in southern Saskatchewan with several pilot projects announced in 2006-07, including;
  - File Hills Tribal Council and the Town of Fort Qu'Appelle, October 19, 2006;
  - Big River First Nation and the Rural Municipality (RM) of Canwood, November 16, 2006;
  - Witchekan Lake First Nation and the RM of Spiritwood, December 9, 2006.

- The Department entered into a partnership that will see the investment of $24 million on upgrading Highway 219. In partnership with municipal and First Nations partners, this investment will enable economic development along the Highway 219 Corridor.
  - Funding was provided to replace the bridge structure on Highway 219 at Beaver Creek, which is estimated at $2.0 million, and to undertake the winter crushing, estimated at $1.9 million, necessary to construct the section from Saskatoon to Beaver Creek in 2007-08.

Measurement Results

Cumulative per cent of twinned highway opened to traffic



Data Source: Highways and Transportation – Highway Inventory System

The cumulative percentage of twinned highway opened to traffic is an indicator of progress in delivering our twinning commitments. When a portion of twinning for a corridor opens to traffic, it contributes to the cumulative percentage opened for that corridor. The performance measure is calculated by dividing the cumulative length opened for traffic for each corridor by the length to be completed for each corridor. When the twinning on a corridor is completed, its cumulative percentage opened to traffic is 100 per cent.

In 1997, the Province committed to complete twinning Highway 1 and 16 between North Battleford and Lloydminster on these specific timelines:

- Highway 1 west (108 km) complete in 2008;
- Highway 16 west (103 km) complete in 2010; and
- Highway 1 east (168 km) complete in 2012.

In 2001-02, the Province committed to accelerate the twinning of Highway 1 west so it would be completed in 2004. On March 5, 2003 the Province and federal government announced a funding partnership that would complete twinning as follows:

- Highway 1 west in 2003 (now completed);
- Highway 16 between North Battleford and Lloydminster in 2007; and
- Highway 1 east in 2007.

For 2006-07:

- 23 km of surfacing were completed on Highway 16 west, from west of Paynton to west of Maidstone, resulting in 65 per cent of Highway 16 between North Battleford and Lloydminster being opened to traffic.
- 19 km of surfacing were completed on Highway 1 east from west of Whitewood to Burrows, resulting in 73 per cent being opened to traffic. Progress was affected by carryover from 2005-06 and slower than anticipated contractor progress.

The Department has a high level of influence over this performance measure because it is responsible to develop a schedule, which will complete the twinning within the identified time frame. Weather and contractor progress can influence performance results in any given year.

Goal 3 – Transportation Contributes to Social Development

Objective 1 – Enhanced partnerships with Aboriginal and northern communities

Through partnerships and collaboration the transportation system can be further developed to ensure access to northern and remote communities.

The Department continues to make progress on this objective by involving northern contractors and northern residents on projects in the Northern Administration District (NAD). Additionally, a project coordinator has been hired to implement the capacity building component of the Northern Economic Infrastructure Strategy (NEIS) and to work with northern community interest groups. Through the NEIS and First Nations Access Roads pillars of TEA, the Department will continue to advance the priniciples of this objective.

Key Results

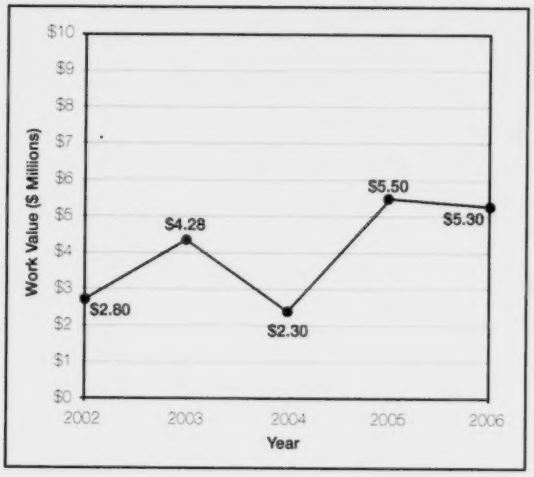
- Maintain 18 northern airports and the Wollaston Barge. [2006-07 planned result]
  - In 2006-07, the Department continued to maintain 18 northern airports and the Wollaston Barge.
  - In addition to normal operations, new non-directional beacons were purchased for five airports, Wildlife Management Plans were started for seven airports and drainage improvements were completed on the civil apron at Meadow Lake.

- Complete 61 km of highway improvements in the Northern Administration District including:
  - Highway 135, from 15 to 17.5 km north of Junction with Highway 106; [2006-07 planned result]
    - The project was cancelled.
  - Highway 917, from 5 to 26 km north of Junction with Highway 916; [2006-07 planned result]
    - Completed 21 km of grading from km 5 to 26 at a cost of $1.5 million with minor carryover to 2007; and

- Highway 924, from Junction of Highway 55 to 37.5 km north. [2006-07 planned result]
  - Completed 8 km on first section at a cost of $1.3 million.
  - Remaining 30 km carried over to 2007 due to wet road conditions.

Measurement Results

Value of work completed by northern contractors/communities

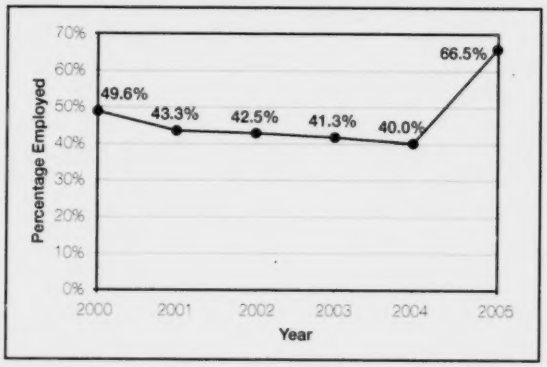


Source: Department of Highways and Transportation

In 2006-07, $5.3 million of work was delivered by northern contractors in the NAD. In the future the value of this performance measure should increase as a result of implementing the NEIS.

This measure speaks to the dollar value of work delivered by northern contractors in the NAD. A northern contractor is defined as any company with a base operation in the NAD employing personnel resident in the NAD. These contracts range from hiring one truck to large construction or maintenance contracts, which may be tendered. Northern communities that complete contract work for the Department are also considered contractors. The value of the contract is the amount paid to the contractor and does not include items such as materials.

Per cent of northern residents employed by contractors on Department construction projects in northern Saskatchewan



Data Source: Department of Highways and Transportation

2005-06 results for this measure have been recalculated to be 66.5 per cent. Data was not available for 2006-07 at time of printing. DHT will explore ways to improve the timeliness of reporting on this measure in the future. The Department expects the results of this measure to increase over time as implementation of the NEIS progresses.

The northern contracting/employment initiative was re-started in the late 1990s. Initial target levels were 20 to 50 per cent depending on work type, with long-term targets set at 65 to 70 per cent. The Road Builders and Heavy Construction Association of Saskatchewan have established a Standard Practices Subcommittee to look into reasonable increases for target levels. The Department works with the Standard Practices Subcommittee to establish the minimum target. The Department does not have direct control, but can influence this measure; hiring is the contractor's responsibility. The Department has bonus/penalty clauses in its northern contracts that encourage contractors to meet the target.

Objective 2 – Targeted infrastructure investment for social utility

The Department is working towards balancing public expectations and needs with the long-term and short-term demands on the transportation system and multiple demands for limited resources. Accessibility improves the social

well-being by enabling the remote areas of the province. Effective strategic planning and collaboration ensures that future investment in infrastructure incorporates economic and social goals as well as optimum efficiency.

In the last five years, the Department has improved over 760 km of northern community access roads. In the future, the Department will contribute to socioeconomic development in the province through the TEA Strategy.

Key Results

- In addition to the NEIS, invest more than $28.0 million to preserve, operate and improve provincial highways, bridges and airports in northern Saskatchewan. [2006-07 planned result] and [*2006-07 Performance Plan Summary*]
  - The Department spent $28.1 million to preserve, operate and improve provincial highways, bridges, and airports in northern Saskatchewan.
  - Types of work performed include grading, dust treatments, spot improvements, highway preservation activities, winter maintenance, and airport operations.

- Complete 700 hectares of brush clearing on northern highways. [2006-07 planned result]
  - Completed 146 km of brush clearing on northern highways.
  - The target was not met due to reallocation of funding to other priorities and extreme quantity of snow hindering contractor progress.

- Complete 1,000 km of dust treatment on northern highways. [2006-07 planned result]
  - Completed 1,137 km of dust treatment on northern highways at a cost of $865,200.
  - The target was exceeded. The actual amount of dust treatment completed is influenced by surface conditions, demands, tender prices, and contractor progress.

- Operate and maintain northern seasonal roads, including: 283 km of seasonal road and 171 km of ice roads in northern Saskatchewan. [2006-07 planned result]
  - In 2006-07, the Department operated and maintained 283 km of northern seasonal roads at a cost of $1.3 million and 171 km of ice roads at a cost of $0.5 million. Included are the Athabasca and Cumberland House seasonal roads, Stony Rapids to Fond-du-lac overland and ice roads, Uranium City ice road, and the Wollaston Lake ice road.

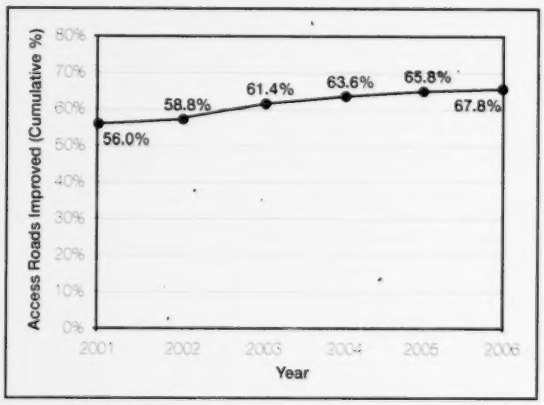
- Continue upgrading 23 km of access roads to communities in northern Saskatchewan. [2006-07 planned result]
  - Completed upgrading of 23 km at a cost of $1.4 million.

In addition to progress made on planned actions, an additional key result includes:

- The Department's Rail Services Branch encouraged and assisted the seven existing short line railways in the province with the creation of a Saskatchewan Short Line Railway Association.

Measurement Results

Cumulative per cent of improved northern community access roads



Data Source: Highways and Transportation – Highway Inventory System and Northern Region

A northern community access road is defined as any road that provides access to a northern community, regardless of the road's length. Improvements include roads that are rehabilitated or upgraded. In 2001, the Department identified 1,130 km of northern provincial highways as northern community access roads.

As of 2006-07, 67.8 per cent of northern community access roads have been improved. This is two percentage points higher than in 2005-06. This improvement is a direct result of the Department upgrading 23 km of access roads to Waterhen and Lake Athabasca communities.

It is expected that the percentage of community access roads improved will continue to increase in the coming years as the Department implements the Northern Economic Infrastructure Strategy.

The Department has a high level of influence over this performance measure because it is responsible for developing a capital investment program that supports its goals and objectives within the overall budget. Weather and contractor progress can influence performance results in any given year.

Goal 4 – Safe Movement of People and Goods

Objective 1 – Increased public awareness

Over the past several years, the Department has worked closely with its key stakeholders to share its strategic priorities regarding the provincial transportation system. Education, training, and public awareness activities can take many different forms. Enhancing awareness and understanding of transportation issues, Department statutes, regulations and programs, level of service standards, and public awareness campaigns such as Orange Zone and Snow Zone help inform the public about travelling safely on our highways.

Key Results

- Prepare a communications strategy to enhance compliance activities with the shipping and carrier communities. [2006-07 planned result]
  - Developed a strategy to work with stakeholders including carriers, local governments, and industry associations through individualized training sessions, career fairs, and trade shows informing stakeholders on transportation regulations and policies.
  - Attended 300 training sessions as well as several career fairs and trade shows, including Agribition and the Western Canadian Farm Progress Show.

- Provide public access to highway hotline road information systems through toll free telephone service and the Internet. [2006-07 planned result]
  - The Department provided 24 hour access to winter highway road information through the website and phone service, as well as having live information available from November 1st to mid-April.
  - Total inquiries for 2006-07 were 1,682,374, an increase of 15.4 per cent over 2005-06.
  - The Department will continue to offer this service into the 2007-08 project year. The advancement of technology appears to have lessened the occurrence of down time.

- Promote safety awareness in the Orange Zone and Snow Zone. [2006-07 planned result]
  - The Department developed creative new ads for its Orange Zone and Snow Zone campaigns. Advertisements for the Orange Zone included the personal testimony of a Department supervisor of operations. Advertisements for the snow zone were developed to increase focus on the need for motorist care and attention around snow removal equipment, as well as the Department's strategy for performing winter maintenance.
  - The enhancements to both campaigns have been well received by staff, stakeholders and the public.

Objective 2 – Improved safety and mobility through program development and delivery

Safe movement of people and goods is a fundamental expectation of transportation system users. It is also a continual focus of the

Department in its design, operation, construction, and maintenance activities. Through this focus on safety, the Department strives to reduce the number and se verity of collisions.

The Department is making progress on this objective by completing infrastructure safety improvements, promoting work zone safety, increasing the number of Commercial Vehicle Safety Alliance (CVSA) inspections, reducing the number of unsafe commercial vehicles, and regulating provincial railways.

Key Results

- Improve safety of provincial railway operations to protect the public and railway employees by collecting and approving railway safety management plans. [2006-07 planned result]
  - Collected one Safety Management Plan (SMP) from one new provincial railway operator. Updated SMPs, authorizations, and granted partial exemptions for 10 industrial operators.

- Implement the low cost automated protection grade crossing research and development project. [2006-07 planned result]
  - Evaluated proposals from intelligent transportation systems (ITS) companies that would fit the criteria for implementation of a pilot low cost automated crossing protection project. Also evaluated a preliminary proposal from Thunder Rail for a low cost warning system on Highway 23/Arborfield subdivision crossing.

- Complete 20,660 km of centreline marking and 24,121 km of edgeline marking on the surfaced system. [2006-07 planned result]
  - Completed 48,675 km of highway marking, consisting of 20,664 km of centerline marking and 28,016 km of edgeline marking.
  - The increase in centre line marking was due to an increase in four lane highways and funding available to repaint high traffic areas. For edgelines, lower than expected unit costs enabled painting of additional edgelines which would have been otherwise deferred.
  - The opportunity to meet desirable condition targets was achieved.

- Complete 3,500 minor sign repairs, 1,000 minor sign replacements and 1,000 major sign repairs. [2006-07 planned result]
  - Completed 5,660 minor sign repairs, 2,696 minor sign replacements, and 1,177 major sign replacements.
  - Minor sign repair level is dictated by damage from wind, snow plows and traffic, and vandalism. The opportunity to replace minor signs during repair activities was taken. Minor sign replacement included wrong directional signage initiative on National Highway System four lane rural intersections.

- Complete approximately 26 safety improvement projects at a cost of $1.1 million. [2006-07 planned result]
  - The Department completed 33 safety improvement projects under the Safety Improvement Program at a cost of $826,000. Completed seven additional projects through adjustments to the original program. The cost of the projects was less by $274,400 because of the type of project completed.
  - In some cases higher cost projects were deferred because of inflationary increases or shortage of contractors to complete the work. These projects are identified to be delivered in 2007-08.

- Tender 36,600 hectares of mowing at a total estimated cost of $1.2 million to control vegetation on side slopes for optimum snow and ice control. [2006-07 planned result]
  - Mowed 40,095 hectares at a cost of $1.4 million.

- Conduct 9,500 truck safety inspections at roadside, permanent scales and major check stops. [2006-07 planned result]
  - CVSA inspectors in Saskatchewan conducted 11,862 inspections.

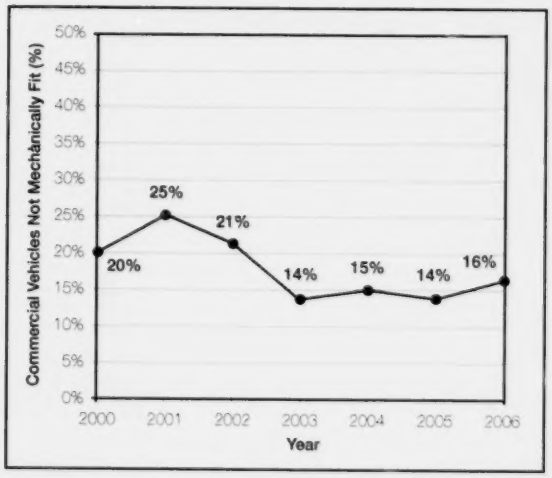
- Participate in the annual international safety inspection event named Roadcheck and conduct industry training seminars on Commercial Vehicle Safety Alliance inspections to help carriers pass CVSA inspections and reduce out of service rates. [2006-07 planned result]

- Participated in Roadcheck on June 6, 2006. The blitz was held at the Lloydminster scale. Multiple agencies such as the RCMP, Alberta Infrastructure and Transportation, and the RM of Wilton participated in the event. 542 trucks were inspected with 13 per cent of the trucks being placed out of service and three per cent of the drivers being placed out of service.

- Participate in the Operation Air Brake campaign as part of an international effort to reduce brake defects in commercial vehicles. [2006-07 planned result]
  - Participated in Operation Air Brake on May 3, 2006. The blitz was held at North Portal, Swift Current, and Melfort.
  - Inspected 262 trucks with 3.4 per cent place out of service for brakes out of adjustment.

Measurement Results

Per cent of commercial vehicles inspected that are not mechanically fit and placed out of service



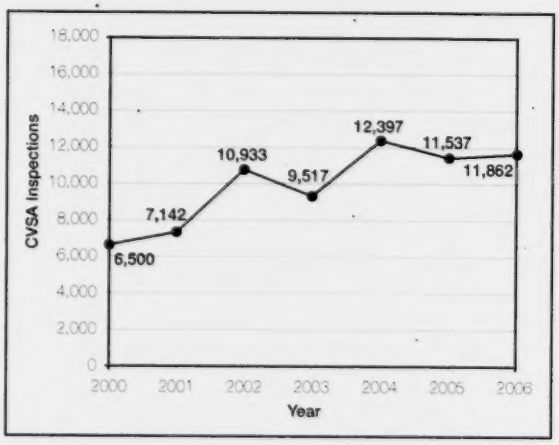
Data Source: Department of Highways and Transportation - Transport Compliance Branch

This measure provides an indication of the success of the Department's safety communications messaging and enforcement efforts by monitoring the change in commercial vehicle safety rates. Using the results of the CVSA inspections, it measures the per cent of commercial vehicles that are not mechanically fit and are still operating on the highway system.

In 2006-07, 16 per cent of vehicles inspected through CVSA inspections and the Road Check event were not mechanically fit and placed out of service. Although this result was two percentage points higher than the previous year, results were comparable to the previous three years. The long-term trend suggests that the Department's education and safety compliance efforts are reducing the number of unsafe commercial vehicles operating on the provincial highway system.

The Department has some influence over this performance measure by increasing transport compliance resources, increasing the effectiveness of communication, and focusing efforts on commercial vehicle safety inspections. These activities, in conjunction with weight compliance activities, enhance the importance and profile of commercial vehicle safety for Saskatchewan carriers, which should help reduce the number of unsafe trucks on the provincial highway system.

Number of Commercial Vehicle Safety Alliance (CVSA) inspections conducted per year



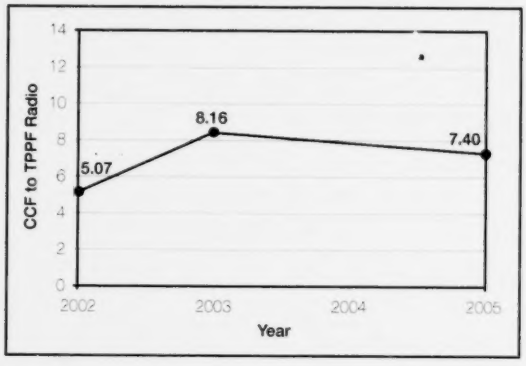
Data Source: Department of Highways and Transportation - Transport Compliance Branch

This measure monitors the number of CVSA inspections completed by the Transport Compliance Branch throughout the year, and is used in conjunction with the previous measure to determine the effort placed into enforcing commercial truck safety.

In 2006-07, the Department conducted 11,862 CVSA inspections. This is 325 CVSA inspections more than the number of inspections completed in 2005-06.

The Department has a high level of influence over the measurement results since it provides the direction and necessary resources for Transport Compliance officers to conduct CVSA inspections, which help improve commercial truck safety on the provincial highway system.

Ratio of partnership trucking fleet collision rate compared to Canadian commercial trucking fleet collision rate



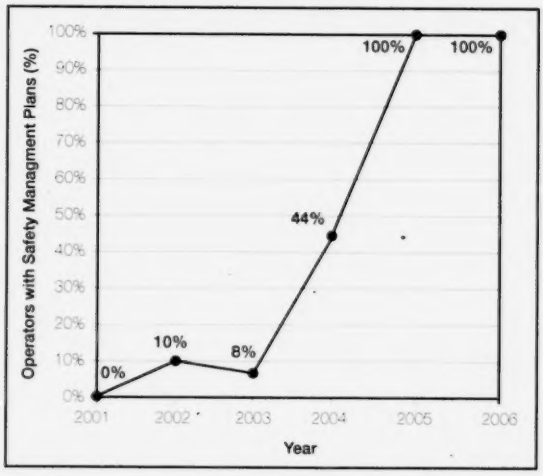
Data Source: Saskatchewan Government Insurance and Department of Highways and Transportation – Trucking Policy and Programs

Data for this measure is no longer available. In 2007-08, this measure is being replaced with a measure that compares the TPP fleet to the provincial commercial fleet.

This measure gauges how safe trucks are that take part in the Department's Trucking Partnership Program (TPP) relative to the regular Canadian commercial fleet. Trucks operating under partnership agreements have higher operating standards and requirements than the average truck on the highway system. The measure results help monitor the effectiveness of the TPP standards in promoting truck safety and reducing collisions while increasing transportation efficiency.

The Department cannot influence the Canadian commercial trucking fleet collision rate. However, it develops the standards and policies required for vehicles and operators involved in the TPP. The Department monitors and enforces these policies and standards to ensure companies in the TPP focus on commercial vehicle safety and operator competence allowing these trucks to operate as safely as possible.

Per cent of provincial railway operators with approved safety management plans



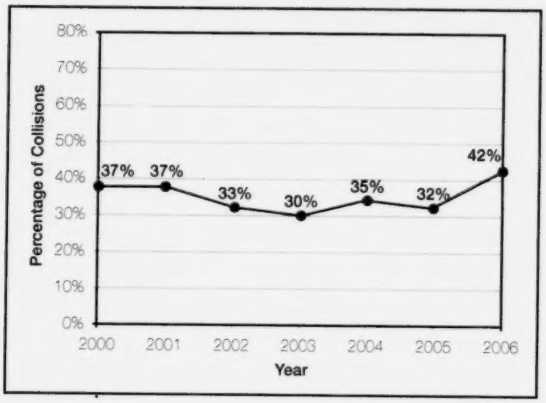
Data Source: Department of Highways and Transportation – Rail Services

This measure gauges the Department's ability to ensure provincial railways have developed procedures that support safe railway operation. This measure is calculated by dividing the number of provincial railways with approved safety management plans by the total number of provincial railways.

In 2006-07, 100 per cent of known provincial highway operators had an approved safety management plan. One additional common carrier plan was approved in 2006-07. Common carriers haul for multiple users.

This measure will be replaced with a key action in the future, since it is expected that the rate will remain at 100 per cent into the future.

Percentage of collisions involving an injury or fatality



Data Source: Saskatchewan Government Insurance (Traffic Accident Information System) and Department of Highways and Transportation – Corporate Support Branch

This performance measure gauges the effectiveness of infrastructure at reducing the severity of collisions.

Collisions involving wild animals are excluded from the performance measure. Also, the data from urban roads or other roads provided by SGI is not included. This chart reflects accidents on provincial highways and rural roads. It should be noted that in August 2002 accident reporting procedures in Saskatchewan changed. Only collisions involving bodily injury, death, hit and run, an out of province vehicle, an impaired operator or where vehicles have to be towed are reported to the police. The impact is an increase in the total number of collisions which may decrease the performance measure result.

In 2006-07, 42 per cent of all collisions on the provincial highway system involved an injury or fatality. The Department has limited influence over reducing the total number of collisions. However, the Department continues to ensure that it strives to maximize improved levels of safety through its highway design, construction and maintenance practices, and targeted safety improvement programs.

Objective 3 – Increased workplace safety

Many of the Department's activities take place in a high risk environment as employees work near high-speed vehicles, around heavy equipment or in an industrial construction setting. The safety of employees and contractors is of critical importance to the Department. Through various policies and programs, the Department strives to provide a work environment that is free from harassment and discrimination, meets the physical needs of employees, provides a sense of safety and security, and promotes a healthy attitude.

The Department is making progress on this objective by promoting work zone safety and developing policies and processes to improve worker safety.

Key Results

- Continue improving and delivering employee safety training including safe operating practices, equipment training, hazardous materials, Workplace Hazardous Materials Information System, occupational health and safety (OH & S) and marine emergency duties. [2006-07 planned result]
  - Ongoing orientation and training of new employees exceeded 200 again this year. Supervision and Safety sessions for supervisors and second in command were held and approximately 80 staff members have been updated on their roles and responsibilities in regards to OH & S requirements.
  - Training and updating OH & S skills is an ongoing process for the Department and sessions are held throughout the year to ensure that all of the requirements are met.

- Perform 90 Department work zone inspections through occupational health and safety initiatives. [2006-07 planned result]
  - 83 Department work zone audits were completed for our preservation and specialty crews this year.
  - Approximately 190 audits and inspections were completed for the 2006-07 season by safety staff for all of the areas within the Department.

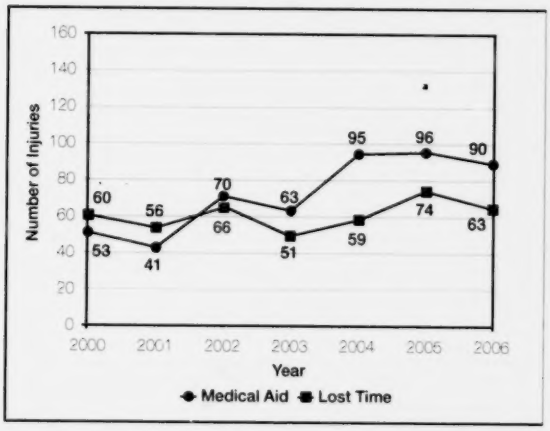
- Conduct 45 highway construction work site audits. [2006-07 planned result]

- Conducted 55 construction work site audits.
- Resources were concentrated on the construction work sites audit for summer and winter crushing projects because these contractors have not been audited for the last two years.

- Deliver 20 Department safety awareness sessions. [2006-07 planned result]
  - Completed 19 safety awareness sessions.

Measurement Results

Number and severity of at-work injuries



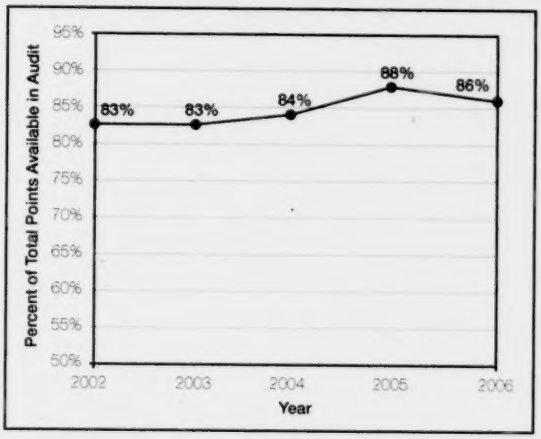
Data Source: Department of Highways and Transportation – Human Resources Branch, Occupational Health and Safety Statistics

Medical aid accidents are accidents in which the employee required medical aid after the accident then returned to work on the next shift. Lost time accidents are accidents in which the injured employee is required to visit a health practitioner and is not able to return to work on the next shift.

In 2006-07 there were 90 medical aid accidents and 63 lost time accidents, which was six and 11, respectively, fewer than the previous year.

The Department's safety programs and policies influence the number of accidents, but there can be significant annual variations. The Department has instituted better occupational health and safety policies, which increased awareness among staff for reporting medical aid accidents. The Department also has an aging workforce which contributes to an increase in the number of reported back and muscle strains/injuries.

Yearly average of contractor traffic accommodation work zone audit results



Source: Department of Highways and Transportation

This measures the effectiveness of Department staff and contractors in providing a safe work zone. A higher annual work zone average indicates that the Department and contractors are doing a better job of ensuring work zones are safe for workers and motorists. Increased compliance with standard traffic control measures in work zones will reduce the number of traffic accidents in work zones and protect highway workers.

In 2006-07, 19 traffic accommodation work zone audits were completed resulting in a yearly average of 86 per cent.

The Department has a high level of influence in this performance measure. The Department develops the contractor specifications, which stipulate the work zone traffic accommodation requirements. While the contractor is responsible for traffic accommodation in the work zone, the Department generally has a representative on each construction site to enforce the work zone traffic accommodations requirements.

There are many factors like weather, driver behaviour, and driver alcohol use, that are beyond theDepartment's control but influence work zone traffic safety. The Department's standards and procedures for maintaining safe work zones will reduce the risk that work zone accidents will occur and mitigate the impact of any incidents that do occur.

2006-07 Financial Results

Program	2006-07 Budget ($ X 1,000)	2006-07 Actual ($ X 1,000)	Variance ($ X 1,000)	Variance Explanation
Vote 016:				
Central Management and Services	**17,470**	**16,873**	**(597)**	
Executive Management	716	748	32	
Central Services	4,564	4,648	84	
Accommodation Services	12,190	11,477	(713)	1
Preservation of Transportation System	**97,739**	**118,754**	**21,015**	
Surface Preservation	84,733	102,620	17,887	2
Regional Services	8,506	8,480	(26)	
Strategic Partnership Program - Road Management	4,500	7,654	3,154	3
Operation of Transportation System	**78,677**	**82,858**	**4,181**	
Winter Maintenance	22,050	25,198	3,148	4
Road Safety and Traffic Guidance	20,671	21,537	866	5
Operational Services	21,240	20,338	(902)	6
Transport Compliance	5,354	5,134	(220)	7
Ferry Services	3,168	3,922	754	8
Airports	1,578	1,795	217	9
Information Technology Services	4,616	4,934	318	10
Transportation Policy	**2,193**	**1,873**	**(320)**	11
Machinery and Equipment (Capit al)	**7,500**	**7,487**	**(13)**	
016 – Subtotal (Appropriation)	**203,579**	**227,845**	**24,266**	
Special Warrant *	**4,400**			
Supplementary Estimates **	**22,630**			
016 – Subtotal (Appropriation)	**230,609**	**227,845**	**(2,764)**	
Capital Asset Acquisitions	(9,314)	(9,555)	(241)	12
Capital Asset Amortization	94,665	89,020	(5,645)	13
016 – Total Department Expense	**315,960**	**307,310**	**(8,650)**	
Custom Work Net Recovery	**0**	**(98)**	**(98)**	
016 – Total Custom Work Net Recovery	**0**	**(98)**	**(98)**	
Vote 017:				
Infrastructure Rehabilitation – includes 2005-06 carryover	**48,635**	**37,673**	**(10,962)**	14
Infrastructure Enhancements - includes 2005-06 carryover	**99,321**	**96,335**	**(2,986)**	
Highways and Bridges	97,921	94,680	(3,241)	15
Strategic Partnership Program – Road Construction	1,400	1,655	255	16
Supplementary Estimates **	**32,000**			
017 - Total Department Capital Appropriation ***	**179,956**	**134,008**	**(45,948)**	
Total	**410,565**	**361,853**	**(48,712)**	

* The Department received special warrant funding to cover the increase costs associated with snow and ice control activity.

** The Department received supplementary estimate funding to cover the increased costs associated with surface preservation due to flooding, public safety emergency repairs, advancing aggregate production, municipal partnerships, First Nations Access program, landslide (Hwy 302) and inflation.

*** Includes 2005-06 Vote 017 carryover funding of $6.574 million.

Explanations for major variances:

1. Largely due to lower utility costs on Department occupied space and some carryover of capital work to 2007-08.
2. Increase costs for flood related work and public safety emergency repair costs.
3. Increase costs associated with municipal partnership projects.
4. Increased in snow and ice control activity throughout the winter.
5. Increase costs associated with landslides and culvert replacements.
6. Decrease due to vacancy savings, planning studies completed by March 31, 2007, gravel search activity and other administrative savings.
7. Reduced costs related to vacancy management and related administrative expenses.
8. Increased costs related to the Riverhurst ferry and other operating costs
9. Increase due to maintenance and operational costs at the Northern airports.
10. Increased information technology costs associated with hardware and software purchases and infrastructure support costs.
11. Reduced costs related to vacancy management and related administrative expenses.
12. Increased in capital asset acquisitions.
13. Reduction in amortization is due to carryover of capital projects and the yearend change in aggregate inventory value.
14. Carryover is largely due to contractor progress on major projects.
15. Carryover is largely due to contractor progress on major progress and some delays resulting from environmental work studies that require completion and approval before work proceeds.
16. Increase in costs associated with various construction partnership projects.

2006-07 Revenues

The Department collects revenue relating to sale of crown lands or material on behalf of the Government. The Department also collects revenue from the federal government to reimburse the province for infrastructure improvements completed under the federal-provincial cost shared infrastructure programs. All revenue collected is deposited in the General Revenue Fund. Below is a summary of the Department's 2006-07 budgeted revenue compared to actual revenue.

Revenues	2006-07 Budget ($000s)	2006-07 Actual ($000s)	Variance ($000s)	Variance Explanation
Sales, Services and Service Fees	**1,275**	**4,251**	**2,976**	**1**
Transfers from Federal Government	**28,193**	**27,017**	**(1,176)**	
Prairie Grain Roads Program	6,050	5,640	(410)	**2**
Strategic Highway Infrastructure Program	0	19	19	
Canada Strategic Infrastructure Fund	21,000	20,978	(22)	
Border Infrastructure Fund	1,000	116	(884)	**3**
National Safety Code	143	143	0	
Canadian Intelligent Transportation System		121	121	**4**
Transfers from Government Entities	**1,000**	**908**	**(92)**	
Total	**30,468**	**32,176**	**1,708**	

Explanations of Major Variances:

1. Largely due to the increase in the sale of property, truck haul fees and refunds from previous years' expenditures.
2. Final year of funding under this program. Lower than budgeted funding received on the municipal portion of PGRP funding.
3. Decrease in work completed on approved projects.
4. Work completed on approved projects carried over from 2005-06.

Transportation Partnerships Fund

The Department is responsible for managing the Transportation Partnerships Fund (TPF).

The Department's Transportation Partnership Program (TPP) generated $4.7 million in revenue for the TPF.

The TPF invested $2.0 million on transportation system improvements in 2006-07 and the TPF balance was $8.1 million on March 31, 2007.

Loans and Guaranteed Debt

The Department administers the Short Line Railway Financial Assistance Program for the province. Additional information is provided in Appendix B.

Where to Obtain Additional Information

The Department is confident that this report provides useful information about its accomplishments and future plans. If you have any questions or comments, we invite you to call 787-4804, or contact:

Communications Branch
1855 Victoria Avenue
Regina, Saskatchewan S4P 3T2

Or send us an e-mail through the Saskatchewan Highways and Transportation website:

http://www.highways.gov.sk.ca

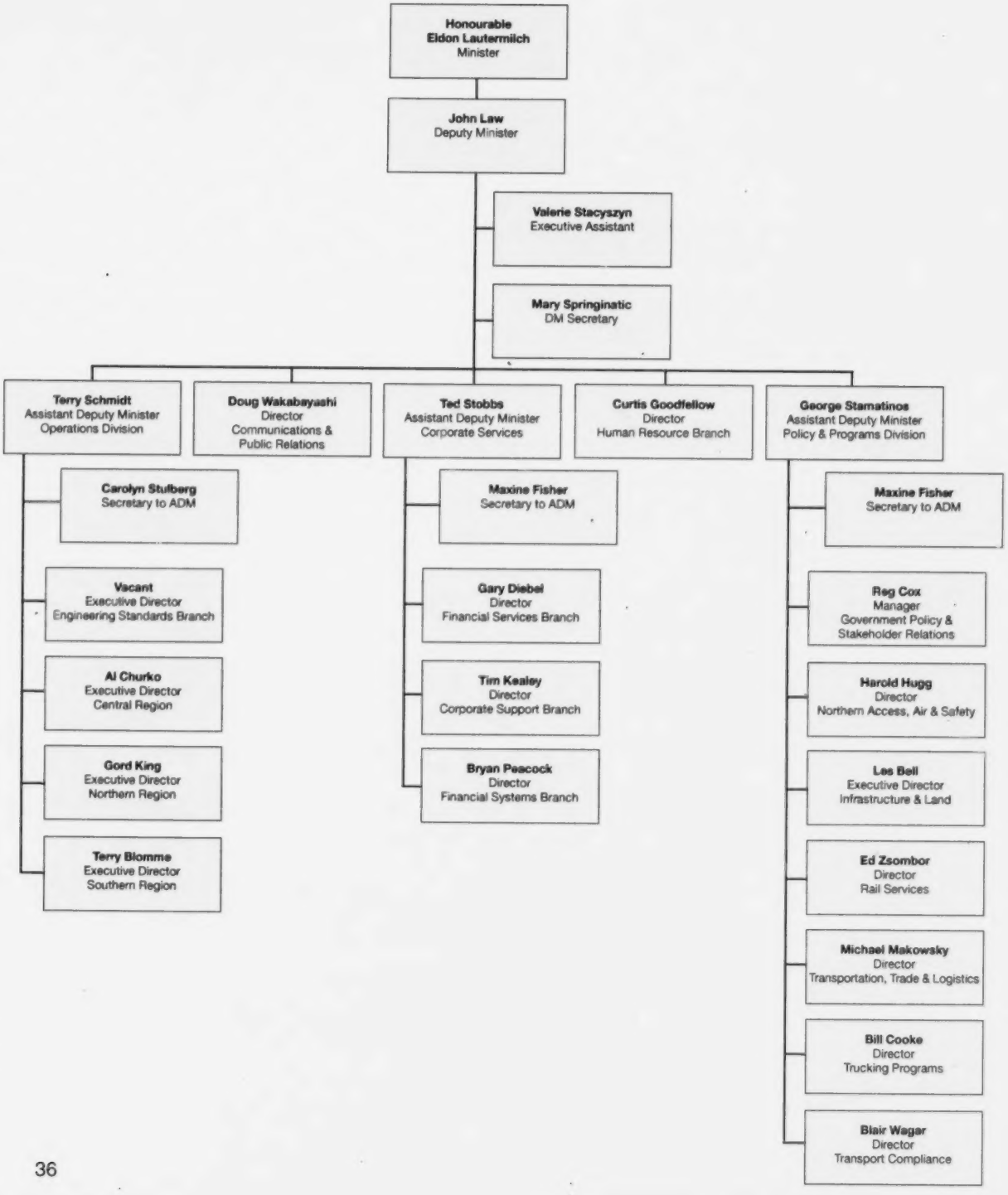
Visit our website to find out about:

- Transportation for Economic Advantage
- Road Conditions and Travellers Information
- Saskatchewan Truckers Guide
- Construction Projects
- Updated Tender Schedule

Appendices

Appendix A – Organization Chart

(As of March 31, 2007)



Appendix B – Loan Disclosure

The Department administers the Short Line Railway Financial Assistance Program. Under this program, the province can provide municipalities or local community groups that want to preserve rail service in their area with an interest free loan for the capital acquisition of rail infrastructure which is being abandoned. The potential short line operator must have a business plan which demonstrates that the short line railway is feasible. The loan is repayable over 15 years, with a discretionary 3-year grace period.

To date, three loans have been made through this program. In 1999-00, a short line railway company applied for a $177,000 provincial loan and a $177,000 CAIP grant. Both were approved and agreements finalized.

In 2004-05 a producer owned company received a loan in the amount of $1.76 million for the purchase of a rail network in the southwest of the province. This loan was issued under the new regulations and funds were provided from the Transportation Partnerships Fund (TPF) and General Revenue Fund (GRF) on a 50/50 split.

In 2005-06, several local governments in southern Saskatchewan negotiated the purchase of a branchline. The local governments were granted a loan in the amount of $240,000, with funding split between the TPF and the GRF.

This loan program supports the Department's objective of a "transformed regional transportation network to meet the future needs of rural Saskatchewan". A short line railway reduces truck traffic since agricultural products are hauled long distances by rail, rather than by large trucks on the provincial highway system. Reducing the amount of heavy truck traffic helps the Department sustain the condition of rural TMS highways.

Short Line Railway Loans	2006-07 Budget	2006-07 Actual	Variance
Beginning Balance	1,174	1,174	0
Additions	1,000	0	(1,000)
Reductions	18	20	2
Ending Balance	**2,156**	**1,154**	**(1,002)**

Explanation of Variance:

The variance in actual additions to the budgeted amount of loans is a result of an anticipated application being delayed until 2007-08.

Appendix C – Legislative and Regulations

The Minister of Highways and Transportation is responsible for the following Acts and Regulations:

The Highways and Transportation Act, 1997

- The Wollaston Lake Barge Operation Regulations
- The Controlled Access Highways Regulations
- The Erection of Signs Adjacent to Provincial Highways Regulations, 1986
- The Provincial Highways Designation Regulations, 1990
- The Highways and Transportation Act Regulations (Autowreckers Licensing)
- The Vehicle Weight and Dimension Regulations, 1999
- The Security of Loads and Trip Inspection Regulations

The Dangerous Goods Transportation Act

- The Dangerous Goods Transportation Regulations

The Engineering and Geoscience Professions Act

The Railway Act

- The Final Offer Arbitration (Railway) Regulations

The Sand and Gravel Act

The Saskatchewan Grain Car Corporation Act

The Government Organization Act (not responsible for Act, three sets of Regulations)

- The Short Line Railway Financial Assistance Regulations
- The Department of Highways and Transportation Regulations
- The Railway Line (Short Line) Financial Assistance Regulations (Enacted in June 2004)